

**REPORT
OF THE
SUPERINTENDENT OF PENSIONS
ON THE
ADMINISTRATION OF THE PENSION BENEFITS ACT
FOR THE YEAR ENDING MARCH 31, 1989**



**Department of
Finance**

Pension Benefits Division

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Our file no:

May 29, 1991

The Honourable Greg Kerr
Minister of Finance
Province of Nova Scotia
Halifax, Nova Scotia

Dear Sir:

Pursuant to the requirements of Section 94 of the Pension Benefits Act, I have the honour to submit herewith the Annual Report of the Pension Benefits Division for the fiscal year ended March 31, 1989.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Percy Fleet'.

Percy Fleet
Superintendent of Pensions



**TWELFTH ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION
BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 1989**

INTRODUCTION

The Pension Benefits Act (Statutes of Nova Scotia 1987, Chapter 11) came into force effective January 1, 1988, replacing the Pension Benefits Act (Statutes of Nova Scotia 1975, Chapter 14) which had been enacted on January 1, 1977.

In accordance with Section 94 of the Pension Benefits Act, the Superintendent of Pensions is required to report annually to the Minister of Finance. This Report covers the affairs and transactions of the fiscal year 1988-89.

PRINCIPAL DUTIES AND RESPONSIBILITIES

The main objective of the Pension Benefits Act is to safeguard employee entitlements to benefits promised under private sector plans through the establishment of minimum funding standards.

The Act also encompasses minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, joint and survivor retirement pensions, sex discrimination and disclosure of information.

The Pension Benefits Division is responsible for the administration and enforcement of the Act. The Division accomplishes the purposes of the Act through the following activities:

- Registration of all pension plans established for employees in Nova Scotia.
- Rejection of any pension plan that does not meet the standards established by the Act.
- Monitoring, through analysis of annual returns, reports and amendments, registered pension plans to ensure continuing compliance with the funding and benefit requirements.

- Cancellation of Certificates of Registration in respect of those pension plans that fail to comply with the Act and Regulations.
- Promotion of the establishment, extension and improvement of pension plans throughout Nova Scotia.

OTHER JURISDICTIONS

- Agreements with the Government of Canada and other provinces having similar legislation provide for the reciprocal registration, audit and inspection of pension plans.
- Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members.
- This requires the Division to carry out the duties and responsibilities of other authorities in respect of the pension plans which it supervises in accordance with the agreements.
- As at January 1, 1988, 1090 pension plans subject to the Pension Benefits Act of Nova Scotia were supervised by other provincial and federal authorities on behalf of our Division. The number of Nova Scotia plan members covered by these plans totalled 32,969.
- Of the 666 pension plans registered in Nova Scotia on January 1, 1988, 99 of these plans provided coverage for 10,348 members in other provinces.

SIMILAR LEGISLATION

Legislation similar to the Pension Benefits Act of Nova Scotia has been enacted by the following governments:

Canada

Pension Benefits Standards Act, 1987, effective October 1967.
Revised effective January 1, 1987.

Ontario

The Pension Benefits Act, 1965, effective January 1, 1965.
Revised effective January 1, 1988.

Saskatchewan

The Pension Benefits Act, 1967, effective January 1, 1969.
Amended July 1, 1981.

Quebec

Supplemental Pensions Plan Act, effective January 1, 1966.

Manitoba

The Pension Benefits Act, effective July 1, 1976. Amended by S.M. 1983, c. 79.

Alberta

Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefits Act which was effective January 1, 1967).

Newfoundland

The Pension Benefits Act, effective January 1, 1985.

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas.

- Representatives of the various authorities are members of The Canadian Association of Pension Supervisory Authorities (CAPSA).

The main purposes of the Association are:

- (1) To evaluate on a continuing basis the legislation in force and to recommend amendments;
- (2) To promote uniformity in legislation, its interpretation and administration;
- (3) To create a group identity, thereby furthering communications with other groups having an interest in pension plans;
- (4) To allow members improved co-ordination in their research programs, particularly with a view to avoiding duplication;
- (5) To establish and maintain relations with other organizations working towards similar objectives.

REGULATION OF PENSION PLANS

Information provided by Statistics Canada indicates that as of January 1, 1988, there were 1,761 pension plans covering 149,463 Nova Scotia employees. Of these, 666 were private

pension plans registered with this Division covering 55,363 Nova Scotia employees. A total of 1,090 private plans registered with other jurisdictions covered 32,969 Nova Scotia employees.

As outlined in Table I, the Pension Benefits Division received 33 applications for registration during the period covered by this report, providing coverage for 616 members. Of these 33 plans, 26 were defined contribution plans covering 568 members and 7 were defined benefit plans covering 48 members.

A total of 18 Certificates of Registration were issued. This compares to 73 Certificates issued in the previous year. Of the 18 Certificates issued 5 were in respect of plans submitted for registration prior to April 1, 1988. Thirteen of the 33 plans submitted for registration in the 1988/89 fiscal year received approval in that period. Two plans submitted prior to April 1, 1988 and 20 plans submitted in 1989/90 require further documentation and/or amendment before they would be accepted for registration.

Table II shows that during the period under review, 83 pension plans were terminated covering 717 members. Refunds of surplus totalling \$124,238 were made to seven employers on plan wind up, and \$238,964 in total was refunded to two employers in respect of active plans. There were 2 partial plan terminations affecting 16 members.

As of March 31, 1989, the Division was responsible for the supervision of 696 pension plans. Of these, 22 plans required further amendment prior to receiving approval for registration.

In accordance with Section 27 (1) of the Pension Benefits Act, every employer with a registered pension plan in Nova Scotia is required to file an annual information return outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed annual information returns were compiled and forwarded to Statistics Canada for the inclusion in their annual report on pension plans in Canada.

Based on the returns filed with the Division, the employee and employer contributions to pension plans under our supervision for the year ending December 31, 1988 were as follows:

Employee Required Contributions	\$ 41,340,400
Employee Voluntary Contributions	1,036,800
Total Employee Contributions	\$ 42,377,200
Employer Current Service Contributions	\$ 53,038,300
Employer Special Payments	6,966,200
Total Employer Contributions	\$ 60,004,500
Total Contributions	\$ <u>102,381,700</u>

As of March 31, 1989, twenty-seven employers had not filed the Annual Information Returns within the required period. Sixty-three employers had not filed Cost Certificates and, where applicable the actuarial valuation reports within the required time period.

Two hundred and twenty two amendments to pension plan documents were approved.

As in previous years, the Division received many enquiries relating to pension plans from members including the public and pension plan administrators. The most frequent enquiry related to the application and interpretation of the Act.

JURISDICTION OF PLAN MEMBERSHIP

Table III shows the number of Nova Scotia members covered by pension plans supervised by other jurisdictions. Some 1,090 pension plans covering approximately 32,969 Nova Scotia members were supervised by other provincial and federal authorities on behalf of our Division. Of the 666 pension plans registered in Nova Scotia on January 1, 1988, 99 of these plans provided coverage for 10,348 members in other provinces.

TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

To date, the most common type of plan is a defined benefit plan which contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure the funding of the benefits.

Table IV shows the number of members in each type of plan. We will continue to monitor these types of plans to determine if there are any significant trends or changes in the various types of pension plans.

REGISTRATION AND FILING FEES

Fees are payable in respect of all applications for registration of pension plans and for each annual information return filed on a plan.

Effective January 1, 1988, the registration and annual information filing fee was increased from \$1.00 to \$2.00 for each member of the pension plan in Nova Scotia or in a designated province, with a fee not less than \$50.00 or more than \$500.00.

A late filing fee is charged in respect of annual information returns submitted six months after the end of the fiscal year of the pension plan. The late filing fee is \$4.00 for each member in Nova Scotia or in a designated province with a minimum of not less than \$100.00 or more than \$1,000.00.

OPERATING COSTS AND REVENUE

Operating costs of the Division for the fiscal year 1988-1989 amounted to \$144,743.

Revenue, derived from fees charged in respect of applications for registration and annual information returns, amounted to \$42,257 for the fiscal year 1988-89.

APPENDIX

MAIN PROVISIONS OF THE ACT IN GENERAL TERMS

The Pension Benefits Act (Statutes of Nova Scotia 1987, Chapter 11) was effective January 1, 1988. This Act replaced the Pension Benefits Act (Statutes of Nova Scotia 1975, Chapter 14) which was enacted on January 1, 1977.

In general terms, the main provisions of the Act in effect as of March 31, 1989 are as follows:

(1) Eligibility

Every employee of a prescribed class of employees for whom a pension plan is established is eligible to be a member. Employees who have completed twenty-four months of continuous full-time employment are eligible upon application for membership. Employees in less than full-time employment are eligible upon meeting certain earnings and service requirements.

(2) Vesting and locking-in

Benefits accrued after January 1, 1988 are vested and locked-in upon completion of two years of plan membership. Benefits accrued in respect of service from January 1, 1977 to December 31, 1987 are vested and locked-in after attainment of age 45 and completion of ten years of employment or ten years of membership, whichever occurs first.

(3) Minimum employer contributions

In respect of defined benefit plans only, employee contributions made subsequent to December 31, 1987 may be used to provide no more than 50% of the benefit accrued during such period. Any excess contributions may be refunded to the employee on termination of membership.

(4) Transfer

A terminated member entitled to a deferred pension may require payment of the commuted value of a deferred pension to another pension plan if the administrator of the other plan agrees to accept the payment, to a prescribed retirement savings arrangement, or for the purchase of a deferred life annuity. These transfer rights do not apply to a member entitled to an immediate retirement pension or to an immediate early retirement pension unless the plan so provides.

MAIN PROVISIONS OF THE ACT IN GENERAL TERMS, CONT'D.

(5) Joint and survivor pension

Every pension paid to a member who has a spouse on retirement shall be a joint and survivorship pension, reducing to not less than sixty per cent on the death of the member or the spouse. This requirement may be waived in writing by the spouse and the member.

(6) Sex Discrimination

The gender of a member, former member or other beneficiary may not be taken into account in determining eligibility, contributions or benefits accrued subsequent to December 31, 1987.

(7) Funding

The employer is required to remit monthly sufficient monies to cover the cost of benefits accruing in a year, plus any special payments which are required to be made in respect of an unfunded liability or solvency deficiency.

(8) Investments

The funds of a pension plan may be invested and loaned only in investments and loans in which an insurance company governed by the Canadian and British Insurance Companies Act (Canada) may invest or lend its funds under Subsections (1), (2), (5), (6), and (10) of Sections 63 of the Act.

(9) Explanation to Employees

Each employee eligible for membership in a pension plan must be provided with a written explanation of the provisions of the plan. Further, members must receive an explanation of any amendments to the plan and an annual statement containing prescribed information. On termination of membership, certain statements must be provided to the member containing prescribed information and within prescribed time periods.

In addition to employees, other persons are now entitled to information on the plan.

TABLE I

SUMMARY OF PENSION PLANS APPROVED,
TRANSFERRED OR TERMINATED TO MARCH 31, 1989

	Total as at March 31, 1988	Additions (Deletions)	Total as at March 31, 1989
Filed Plans	1,046	33	1,079
Plans Transferred From Other Jurisdictions	8	0	8
Applications Withdrawn	(11)	0	(11)
Plans Terminated	(273)	(83)	(356)
Plans Transferred to Other Jurisdictions	(23)	(1)	(24)
Active Plans on File	747	(51)	696
Deduct: Plans in Process of Registration	(7)	(15)	(22)
Registered Plans	740	(66)	674

TABLE II

TERMINATED PENSION PLANS
1988-89

<u>Reason</u>	<u>Plans Terminated</u>	<u>Active Members at Termination</u>
Not Given	60	345
No Members left in Plans	4	---
Company Dissolved	6	79
Plan Never Implemented	2	---
Merged with Another	11	293
Number of Plans Terminated	<u>83</u>	<u>717</u>

TABLE III

NUMBER OF PENSION PLANS IN CANADA WITH
NOVA SCOTIA MEMBERS (BY JURISDICTION) - JANUARY 1, 1988

(Source: Statistics Canada)

	Plans	Nova Scotia Members
Nova Scotia	666	55,363
New Brunswick	23	211
Newfoundland	11	60
Quebec*	149	1,862
Ontario	753	14,155
Manitoba	13	90
Saskatchewan	2	16
Alberta	36	1,668
Federal*	104	14,919
Non-Legislated	5	61,131
TOTAL	<u>1,761</u>	<u>149,465</u>

* Table does not add to total as a small number of plans have dual Quebec - Federal) jurisdiction.

TABLE IV

PENSION PLANS IN CANADA

PENSION PLANS HAVING NOVA SCOTIA MEMBERS - JANUARY 1, 1988

FUNDING INSTRUMENT OF PENSION PLANS
BY TYPE OF PLAN IN THE PUBLIC AND PRIVATE SECTORS SHOWING TOTAL MEMBERS

Type of Plan	Total	
	Plans Number	Members Number
Defined Contribution Plans:		
Money Purchase	635	10,291
Profit Sharing	31	311
Sub-Total	666	10,602
Defined Benefit Plans:		
Final Earnings *	532	92,658
Career Average Earnings	451	26,740
Flat Benefits	76	17,099
Sub-Total	1,059	136,497
Composite and Other Plans	36	2,364
TOTAL	<u>1,761</u>	<u>149,463</u>

* Includes Final Average Earnings and Average Best Earnings Plans.